

January 7, 1976

SENATOR MURPHY: I would have to disagree, Senator, I don't think you are approaching it in the context. This bill was brought to us by the securities brokers, not by the banking industry. The fact that there may be in the make-up of a security broker some bonds, they would certainly not be specific nor related to any particular rate of interest other than between what the broker and the bank. This relates strictly to the transaction that you and your broker agree to and, of course, the minute the individual declines to agree to that agreement that is automatically the interest ceiling and this simply says that if the open market rate of interest happens to be in excess of what our 11% usury is now that the phrase "sophisticated buyer" is capable of judging just as the corporate or the partnership or the large borrower today under usury is, he is free to decide that, yes, I want to pay that much interest, or, no, I do not. This does not mandate nor establish anything.

SENATOR KEYES: Yes, you are right. It does not mandate or establish a thing but the man that comes out and says how much the interest is going to be, according to the Federal Reserve and the Congress of the United States can tell you whether you buy stock that year or whether we are going to sell stock or not, and he can tell you we don't want to sell stock and decide that we are going to hold back and we are not causing any deflationary. You know it, all you have to do is raise the interest above what the people are able to pay and operate and kill it, and that is exactly what you are going to do with this bill.

SENATOR MURPHY: I can only say, Senator, it was requested by the people who would be the first to suffer by it, and that, in itself, seems a little illogical.

PRESIDENT: Anyone else wishing to be recognized, please hold your hand up. Senator Murphy, would you care to close on your motion?

SENATOR MURPHY: I don't believe there is anything to add. I think we have developed a couple of considerations here and I simply would move for the adoption. This bill is intended in its basic concept to say that the sophisticated man who is trading on the stock exchange knows what he wants to pay in the form of interest and what he does not, and that an artificial barrier could at times handicap the operation of our total securities market. I move for the advancement of the bill.

PRESIDENT: This will have to be done by roll call, voice vote on roll call. The motion by Senator Murphy is to advance LB 350 to E & R Initial.

CLERK: We might try it on the machine, if you wait just a half a second.

PRESIDENT: Call the roll orally, Mr. Clerk.

CLERK: Senator Anderson voting aye.  
Senator Barnett not voting